

CITY OF PHILLIPSBURG

Phillipsburg, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2010

**MAPES & MILLER
Certified Public Accountants
Phillipsburg, Kansas 67661**

CITY OF PHILLIPSBURG

City Council

December 31, 2010

Fred Robinson, Mayor

**Linda Flipse
Rod Innes
Shane Kinter**

**Breton Miles
Marilyn Goracke
Mike James**

**Brenda Chance
Kelly Vanderplas**

**City Clerk
City Treasurer**

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

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INDEPENDENT AUDITOR'S REPORT

**Mayor and City Council
City of Phillipsburg, Kansas**

We have audited the accompanying financial statements of the City of Phillipsburg, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the City's primary government, as listed in the table of contents. These financial statements are the responsibility of the City of Phillipsburg, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City of Phillipsburg, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Mayor and City Council
City of Phillipsburg, Kansas
July 5, 2011
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In our opinion, because of the omission of the component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Phillipsburg, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1. The information identified in the table of contents, as unaudited additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the unaudited information.

This report is intended solely for the information and use of the governing body and management of the City of Phillipsburg, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and other federal and state agencies to whose jurisdiction the City is subject, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City Council, is a matter of public record.

Respectfully submitted,

Mapes & Miller

Certified Public Accountants

July 5, 2011
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For the Year Ended December 31, 2010

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund							
General Operating Fund	\$ 468,404	\$ -	\$ 1,066,417	\$ 1,021,474	\$ 513,347	\$ 36,501	\$ 549,848
Special Revenue Funds							
Equipment Reserve Fund	126,931	-	74,179	2,992	198,118	-	198,118
Library Fund	251	-	64,208	63,899	560	-	560
Employee Benefit Fund	216,128	-	327,962	349,064	195,026	-	195,026
Special Parks & Recreation Fund	19,293	-	10,601	7,751	22,143	-	22,143
Special Highway Fund	134,525	-	310,050	275,260	169,315	13,965	183,280
Fire Equipment Capital Outlay Fund	172,187	-	40,685	-	212,872	-	212,872
Industrial Development Fund	32,846	-	12,835	35,000	10,681	-	10,681
Partially Self-Funded Health Insurance Fund	120,311	-	303,441	324,359	99,393	-	99,393
Hansen Foundation Grant Fund	120,000	-	-	120,000	-	-	-
Debt Service Fund							
Bond & Interest Fund	165,596	-	284,605	263,510	186,691	-	186,691
Permanent Fund							
Endowment Fund	9,874	-	58	-	9,932	-	9,932
Proprietary Type Funds:							
Enterprise Funds							
Water & Sewer Utility Fund	1,092,926	400	1,147,852	1,147,427	1,093,751	19,459	1,113,210
Meter Deposits Fund	100	-	6,230	6,140	190	19,760	19,950
Solid Waste Fund	104,365	-	359,771	313,225	150,911	8,455	159,366
KDHE Water Supply Project Fund	(198,497) *	71,552	126,945	-	-	-	-
Total Primary Government (Excluding Agency Funds)	<u>\$ 2,585,240</u>	<u>\$ 71,952</u>	<u>\$ 4,135,839</u>	<u>\$ 3,930,101</u>	<u>\$ 2,862,930</u>	<u>\$ 98,140</u>	<u>\$ 2,961,070</u>

* See Note 5 (Cash Basis Exception)

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
(Cont.)

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For the Year Ended December 31, 2010

Composition of Cash	
Cash on Hand	\$ 400
Checking Accounts	3,787
NOW Account	229,701
Money Market Account	323,666
Certificates of Deposit	<u>2,406,000</u>
 Total Cash	 2,963,554
 Agency Funds Per Statement 4	 <u>(2,484)</u>
 Total Primary Government (Excluding Agency Funds)	 <u><u>\$ 2,961,070</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 2

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
For the Year Ended December 31, 2010

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General Fund					
General Operating Fund	\$ 1,655,477	\$ -	\$ 1,655,477	\$ 1,021,474	\$ (634,003)
Special Revenue Funds					
Library Fund	63,899	-	63,899	63,899	-
Employee Benefit Fund	557,000	-	557,000	349,064	(207,936)
Special Parks & Recreation Fund	53,814	-	53,814	7,751	(46,063)
Special Highway Fund	913,320	-	913,320	275,260	(638,060)
Fire Equipment Capital Outlay Fund	188,418	-	188,418	-	(188,418)
Industrial Development Fund	70,262	-	70,262	35,000	(35,262)
Debt Service Fund					
Bond & Interest Fund	340,510	-	340,510	263,510	(77,000)
Proprietary Type Funds:					
Enterprise Funds					
Water & Sewer Utility Fund	2,070,029	-	2,070,029	1,147,427	(922,602)
Solid Waste Fund	411,669	-	411,669	313,225	(98,444)

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 310,864	\$ 309,210	\$ 1,654
Delinquent Tax	3,904	5,000	(1,096)
Motor Vehicle Tax	47,003	42,567	4,436
Intangibles Tax	59,235	57,365	1,870
Recreational Vehicle Tax	898	828	70
Excise Tax	122	131	(9)
16/20M Vehicle Tax	478	525	(47)
Local Alcoholic Liquor Tax	5,349	5,424	(75)
Interest on Idle Funds	29,708	95,000	(65,292)
Franchise Tax	152,572	165,000	(12,428)
Animal Tags	999	1,500	(501)
Fines	21,780	33,000	(11,220)
Reimbursements	5,002	20,000	(14,998)
Rural Fire Contracts	13,347	13,000	347
Campground Fees	4,100	3,800	300
Local Retailer's Sales Tax	223,990	180,000	43,990
Licenses & Permits	5,048	3,700	1,348
Other Cash Receipts	2,317	25,000	(22,683)
Nonfederal Grants & Gifts	77,850	160,000	(82,150)
Federal Grants	5,389	-	5,389
State Grants	718	-	718
Building Rents	5,797	7,000	(1,203)
Swimming Pool & Concessions	11,756	13,000	(1,244)
Cemetery Lots & Care	7,105	7,000	105
Airport Rents & Grains	8,269	10,000	(1,731)
Airport Aviation Gas & Oil	23,467	40,000	(16,533)
Airport Courtesy Car	44	100	(56)
Airport Sales Tax Collected	2,106	3,000	(894)
Airport Jet Fuel	6,070	8,700	(2,630)
Transportation Passes	3,075	3,000	75
Northwest Kansas Transit	27,746	32,000	(4,254)
Sale of Equipment	309	-	309
	<u>1,066,417</u>	<u>\$ 1,244,850</u>	<u>\$ (178,433)</u>
Total Cash Receipts			
	<u>1,066,417</u>	<u>\$ 1,244,850</u>	<u>\$ (178,433)</u>
EXPENDITURES			
General Government			
Personal Services	60,892	\$ 70,000	\$ (9,108)
Contractual Services	107,449	210,000	(102,551)
Commodities	2,604	15,000	(12,396)
Capital Outlay	440	88,246	(87,806)
	<u>171,385</u>	<u>383,246</u>	<u>(211,861)</u>
Total General Government			
	<u>171,385</u>	<u>383,246</u>	<u>(211,861)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Community Building			
Personal Services	\$ 29,984	\$ 35,000	\$ (5,016)
Contractual Serices	9,292	20,000	(10,708)
Commodities	5,559	7,000	(1,441)
Capital Outlay	-	75,000	(75,000)
	<u>44,835</u>	<u>137,000</u>	<u>(92,165)</u>
Total Community Building			
Municipal Court & Police Department			
Personal Services	20,800	25,000	(4,200)
Contractual Services	274,996	280,000	(5,004)
Commodities	197	2,000	(1,803)
Capital Outlay	-	1,000	(1,000)
	<u>295,993</u>	<u>308,000</u>	<u>(12,007)</u>
Total Municipal Court & Police Department			
City Fire Department			
Contractual Services	6,287	15,000	(8,713)
Commodities	5,924	15,000	(9,076)
Capital Outlay	1,722	26,000	(24,278)
	<u>13,933</u>	<u>56,000</u>	<u>(42,067)</u>
Total City Fire Department			
Rural Fire Department			
Contractual Services	2,929	5,000	(2,071)
Commodities	4,967	10,000	(5,033)
Capital Outlay	750	10,000	(9,250)
	<u>8,646</u>	<u>25,000</u>	<u>(16,354)</u>
Total Rural Fire Department			
Park Department			
Personal Services	14,772	20,000	(5,228)
Contractual Services	11,745	10,000	1,745
Commodities	4,735	9,500	(4,765)
Capital Outlay	8,660	17,500	(8,840)
	<u>39,912</u>	<u>57,000</u>	<u>(17,088)</u>
Total Park Department			

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Recreation Department			
Contractual Services	\$ 3,887	\$ 5,800	\$ (1,913)
Commodities	289	1,000	(711)
Capital Outlay	-	5,000	(5,000)
Total Recreation Department	<u>4,176</u>	<u>11,800</u>	<u>(7,624)</u>
Swimming Pool			
Personal Services	24,252	30,000	(5,748)
Contractual Services	30,983	9,500	21,483
Commodities	9,171	18,000	(8,829)
Capital Outlay	3,253	6,000	(2,747)
Total Swimming Pool	<u>67,659</u>	<u>63,500</u>	<u>4,159</u>
Cemetery			
Personal Services	11,693	20,000	(8,307)
Contractual Services	14,123	12,000	2,123
Commodities	3,627	5,000	(1,373)
Capital Outlay	3,875	21,900	(18,025)
Total Cemetery	<u>33,318</u>	<u>58,900</u>	<u>(25,582)</u>
Street Lighting			
Contractual Services	<u>48,547</u>	<u>55,000</u>	<u>(6,453)</u>
Airport			
Personal Services	3,601	10,000	(6,399)
Contractual Services	12,680	40,000	(27,320)
Commodities	33,719	40,000	(6,281)
Capital Outlay	-	50,000	(50,000)
Total Airport	<u>50,000</u>	<u>140,000</u>	<u>(90,000)</u>
Planning Department			
Contractual Services	<u>59</u>	<u>5,000</u>	<u>(4,941)</u>
Transportation Department			
Personal Services	24,559	30,000	(5,441)
Contractual Services	1,682	6,500	(4,818)
Commodities	4,090	10,000	(5,910)
Capital Outlay	-	4,500	(4,500)
Total Transportation Department	<u>30,331</u>	<u>51,000</u>	<u>(20,669)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Library Support			
Contractual	\$ 28,601	\$ 38,000	\$ (9,399)
Beautification			
Contractual Services	10,829	3,500	7,329
Commodities	2,857	3,500	(643)
Total Beautification	13,686	7,000	6,686
Shade Tree			
Contractual Services	11,605	5,000	6,605
Armory			
Contractual Services	4,031	-	4,031
Commodities	3,199	-	3,199
Total Armory	7,230	-	7,230
Water Projects			
Contractual	-	67,956	(67,956)
ADA Concrete			
Commodities	10,058	30,000	(19,942)
Outgoing Transfers			
Equipment Reserve Fund	1,500	16,075	(14,575)
Special Highway Fund	140,000	140,000	-
Total Outgoing Transfers	141,500	156,075	(14,575)
Total Expenditures	1,021,474	<u>\$ 1,655,477</u>	<u>\$ (634,003)</u>
Cash Receipts Over (Under) Expenditures	44,943		
UNENCUMBERED CASH, January 1, 2010	468,404		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 513,347</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

EQUIPMENT RESERVE FUND

	<u>Actual</u>
CASH RECEIPTS	
State Grant	\$ 4,000
Incoming Transfers	
General Operating Fund	1,500
Special Highway Fund	26,000
Water & Sewer Utility Fund	27,700
Solid Waste Fund	<u>14,979</u>
Total Cash Receipts	<u>74,179</u>
EXPENDITURES	
Capital Outlay	<u>2,992</u>
Cash Receipts Over (Under) Expenditures	71,187
UNENCUMBERED CASH, January 1, 2010	<u>126,931</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 198,118</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

LIBRARY FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 49,141	\$ 48,149	\$ 992
Delinquent Tax	1,033	1,050	(17)
Motor Vehicle Tax	13,603	12,370	1,233
Recreational Vehicle Tax	260	241	19
Excise Tax	35	38	(3)
16/20M Vehicle Tax	136	153	(17)
	<u>64,208</u>	<u>\$ 62,001</u>	<u>\$ 2,207</u>
EXPENDITURES			
Library Insurance	826	\$ 1,300	\$ (474)
Appropriation to Library Board	63,073	62,599	474
	<u>63,899</u>	<u>\$ 63,899</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	309		
UNENCUMBERED CASH, January 1, 2010	<u>251</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 560</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

EMPLOYEE BENEFIT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 68,392	\$ 67,789	\$ 603
Delinquent Tax	2,279	100	2,179
Motor Vehicle Tax	32,552	29,632	2,920
Recreational Vehicle Tax	622	577	45
Excise Tax	84	91	(7)
16/20M Vehicle Tax	324	366	(42)
Reimbursements	2,539	-	2,539
Employee/Employer Contributions	<u>221,170</u>	<u>280,000</u>	<u>(58,830)</u>
Total Cash Receipts	<u>327,962</u>	<u>\$ 378,555</u>	<u>\$ (50,593)</u>
EXPENDITURES			
Social Security & Medicare	51,728	\$ 65,000	\$ (13,272)
Retirement	44,949	60,000	(15,051)
Workman's Compensation	23,296	30,000	(6,704)
Unemployment Insurance	704	2,000	(1,296)
Outgoing Transfer			
Partially Self-Funded Health Insurance Fund	<u>228,387</u>	<u>400,000</u>	<u>(171,613)</u>
Total Expenditures	<u>349,064</u>	<u>\$ 557,000</u>	<u>\$ (207,936)</u>
Cash Receipts Over (Under) Expenditures	(21,102)		
UNENCUMBERED CASH, January 1, 2010	<u>216,128</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 195,026</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SPECIAL PARKS & RECREATION FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Local Alcoholic Liquor Tax	\$ 5,350	\$ 5,424	\$ (74)
Nonfederal Grant	5,251	35,000	(29,749)
Other Cash Receipts	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Total Cash Receipts	<u>10,601</u>	<u>\$ 41,424</u>	<u>\$ (30,823)</u>
EXPENDITURES			
Personal Services	-	\$ 2,500	\$ (2,500)
Contractual Services	2,500	3,000	(500)
Commodities	901	2,000	(1,099)
Capital Outlay	<u>4,350</u>	<u>46,314</u>	<u>(41,964)</u>
Total Expenditures	<u>7,751</u>	<u>\$ 53,814</u>	<u>\$ (46,063)</u>
Cash Receipts Over (Under) Expenditures	2,850		
UNENCUMBERED CASH, January 1, 2010	<u>19,293</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 22,143</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SPECIAL HIGHWAY FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Highway Connecting Links	\$ 14,802	\$ 21,000	\$ (6,198)
Special Highway Tax	63,325	68,770	(5,445)
Sale of Equipment	992	-	992
Other Cash Receipts	805	2,000	(1,195)
State Grant	1,536	-	1,536
Federal Grant	11,518	400,000	(388,482)
General Obligation Bond Proceeds	77,000	-	77,000
Sales Tax Collected	72	-	72
Incoming Transfer			
General Operating Fund	140,000	140,000	-
Total Cash Receipts	<u>310,050</u>	<u>\$ 631,770</u>	<u>\$ (321,720)</u>
EXPENDITURES			
Personal Services	70,921	\$ 90,000	\$ (19,079)
Contractual Services	27,410	90,000	(62,590)
Commodities	62,006	150,000	(87,994)
Capital Outlay	88,923	570,320	(481,397)
Outgoing Transfer			
Equipment Reserve Fund	26,000	13,000	13,000
Total Expenditures	<u>275,260</u>	<u>\$ 913,320</u>	<u>\$ (638,060)</u>
Cash Receipts Over (Under) Expenditures	34,790		
UNENCUMBERED CASH, January 1, 2010	<u>134,525</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 169,315</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

FIRE EQUIPMENT CAPITAL OUTLAY FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Ad Valorem Tax	\$ 19,659	\$ 19,160	\$ 499
Delinquent Tax	413	100	313
Motor Vehicle Tax	5,441	4,948	493
Recreational Vehicle Tax	104	96	8
Excise Tax	14	15	(1)
16/20M Vehicle Tax	54	61	(7)
Nonfederal Grants	15,000	-	15,000
	<u>40,685</u>	<u>\$ 24,380</u>	<u>\$ 16,305</u>
EXPENDITURES			
Capital Outlay	-	\$ 188,418	\$ (188,418)
	<u>40,685</u>		
Cash Receipts Over (Under) Expenditures	40,685		
UNENCUMBERED CASH, January 1, 2010	<u>172,187</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 212,872</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

INDUSTRIAL DEVELOPMENT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 9,824	\$ 9,630	\$ 194
Delinquent Tax	205	100	105
Motor Vehicle Tax	2,720	2,474	246
Recreational Vehicle Tax	52	48	4
Excise Tax	7	8	(1)
16/20M Vehicle Tax	27	31	(4)
	<u>12,835</u>	<u>\$ 12,291</u>	<u>\$ 544</u>
EXPENDITURES			
Contractual Services	-	\$ 47,262	\$ (47,262)
Activity Support	10,000	23,000	(13,000)
Capital Outlay	25,000	-	25,000
	<u>35,000</u>	<u>\$ 70,262</u>	<u>\$ (35,262)</u>
Cash Receipts Over (Under) Expenditures	(22,165)		
UNENCUMBERED CASH, January 1, 2010	<u>32,846</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 10,681</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

PARTIALLY SELF-FUNDED HEALTH INSURANCE FUND

	<u>Actual</u>
CASH RECEIPTS	
Insurance Reimbursement	\$ 63,211
Employee/Employer Premium Deposit	6,701
Interest on Idle Funds	491
Reimbursements	4,651
Incoming Transfer	
Employee Benefit Fund	<u>228,387</u>
Total Cash Receipts	<u>303,441</u>
EXPENDITURES	
Contractual Services	<u>324,359</u>
Cash Receipts Over (Under) Expenditures	(20,918)
UNENCUMBERED CASH, January 1, 2010	<u>120,311</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 99,393</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

**Statement 3
(Cont.)**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010**

HANSEN FOUNDATION GRANT FUND

	<u>Actual</u>
CASH RECEIPTS	\$ -
EXPENDITURES	
Capital Outlay	<u>120,000</u>
Cash Receipts Over (Under) Expenditures	(120,000)
UNENCUMBERED CASH, January 1, 2010	<u>120,000</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

BOND & INTEREST FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Ad Valorem Tax	\$ 23,804	\$ 23,191	\$ 613
Delinquent Tax	2,451	2,000	451
Motor Vehicle Tax	33,280	29,735	3,545
Recreational Vehicle Tax	634	579	55
Excise Tax	88	92	(4)
16/20M Vehicle Tax	358	367	(9)
Local Retailer's Sales Tax	223,990	180,000	43,990
Total Cash Receipts	<u>284,605</u>	<u>\$ 235,964</u>	<u>\$ 48,641</u>
EXPENDITURES			
Commission & Postage	-	\$ 2,000	\$ (2,000)
Reserve for Cash	-	75,000	(75,000)
Sewer Loan Principal	124,885	124,885	-
Sewer Loan Interest	54,678	59,508	(4,830)
Sewer Loan Service Fee	4,830	-	4,830
Water Loan Principal	58,442	61,011	(2,569)
Water Loan Interest	18,698	18,106	592
Water Loan Service Fee	1,977	-	1,977
Total Expenditures	<u>263,510</u>	<u>\$ 340,510</u>	<u>\$ (77,000)</u>
Cash Receipts Over (Under) Expenditures	21,095		
UNENCUMBERED CASH, January 1, 2010	<u>165,596</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 186,691</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

ENDOWMENT FUND

	<u>Actual</u>
CASH RECEIPTS	
Interest on Idle Funds	<u>\$ 58</u>
EXPENDITURES	
	<u>-</u>
Cash Receipts Over (Under) Expenditures	58
UNENCUMBERED CASH, January 1, 2010	<u>9,874</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 9,932</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

WATER & SEWER UTILITY FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Water Department			
Water Sales	\$ 887,519	\$ 855,000	\$ 32,519
Penalties	10,251	12,000	(1,749)
Sales Tax Collected	22,808	20,000	2,808
Other Cash Receipts	568	3,500	(2,932)
Coin Machine Water Sales	249	1,700	(1,451)
Water Protection Fee	10,017	1,000	9,017
Sale of Equipment	-	1,500	(1,500)
Return Check Charge	340	1,000	(660)
New Service	843	4,000	(3,157)
Connects/Disconnects	2,576	3,600	(1,024)
State Grant	330	-	330
Federal Grant	2,475	-	2,475
Total Water Department	937,976	903,300	34,676
Sewer Department			
Sewer Charges	202,656	210,000	(7,344)
Sewer Machine & Building Rental	3,538	1,300	2,238
Other Cash Receipts	-	100	(100)
Connects/Disconnects	30	100	(70)
Sewer Dump Station Fee	1,507	3,900	(2,393)
Sale of Equipment	2,145	-	2,145
Total Sewer Department	209,876	215,400	(5,524)
Total Cash Receipts	1,147,852	\$ 1,118,700	\$ 29,152
EXPENDITURES			
Water Department			
Production			
Personal Services	45,580	\$ 60,000	\$ (14,420)
Contractual Services	191,260	250,000	(58,740)
Commodities	65,578	60,000	5,578
Capital Outlay	-	321,257	(321,257)
Total Production	302,418	691,257	(388,839)
Transmission & Distribution			
Personal Services	176,544	175,000	1,544
Contractual Services	115,433	150,000	(34,567)
Commodities	131,496	170,000	(38,504)
Capital Outlay	26,530	140,000	(113,470)
Total Transmission & Distribution	450,003	635,000	(184,997)

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

WATER & SEWER UTILITY FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Water Department			
Water Commercial & General			
Personal Services	\$ 69,426	\$ 70,000	\$ (574)
Contractual Services	51,447	70,000	(18,553)
Commodities	1,701	5,000	(3,299)
Capital Outlay	<u>184</u>	<u>65,185</u>	<u>(65,001)</u>
Total Water Commercial & General	<u>122,758</u>	<u>210,185</u>	<u>(87,427)</u>
Total Water Department	<u>875,179</u>	<u>1,536,442</u>	<u>(661,263)</u>
Sewer Department			
Sewer Commercial & General			
Personal Services	55,075	55,000	75
Contractual Services	107,777	190,000	(82,223)
Commodities	39,314	60,000	(20,686)
Capital Outlay	<u>4,946</u>	<u>160,000</u>	<u>(155,054)</u>
Total Sewer Commercial & General	<u>207,112</u>	<u>465,000</u>	<u>(257,888)</u>
Other Expenditures			
Sales Tax	22,486	20,000	2,486
State Water Fee	7,716	11,000	(3,284)
Kansas Clean Drinking Water Fee	7,234	11,387	(4,153)
Outgoing Transfer			
Equipment Reserve Fund	<u>27,700</u>	<u>26,200</u>	<u>1,500</u>
Total Other Expenditures	<u>65,136</u>	<u>68,587</u>	<u>(3,451)</u>
Total Expenditures	<u>1,147,427</u>	<u>\$ 2,070,029</u>	<u>\$ (922,602)</u>
Cash Receipts Over (Under) Expenditures	425		
UNENCUMBERED CASH, January 1, 2010	1,092,926		
Prior Year Cancelled Encumbrances	<u>400</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 1,093,751</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

**Statement 3
(Cont.)**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010**

METER DEPOSITS FUND

	<u>Actual</u>
CASH RECEIPTS	
Meter Deposits	<u>\$ 6,230</u>
EXPENDITURES	
Deposit Refunds	<u> 6,140</u>
Cash Receipts Over (Under) Expenditures	90
UNENCUMBERED CASH, January 1, 2010	<u>100</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 190</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SOLID WASTE FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Fees Collected	\$ 352,548	\$ 288,000	\$ 64,548
Sales Tax Collected	50	250	(200)
Sale of Dumpsters	-	3,600	(3,600)
Equipment Rental	792	600	192
Other Cash Receipts	-	50	(50)
Yard Waste Receipts	6,381	5,700	681
	<u>359,771</u>	<u>\$ 298,200</u>	<u>\$ 61,571</u>
EXPENDITURES			
Personal Services	101,478	\$ 120,000	\$ (18,522)
Contractual Services	163,463	190,000	(26,537)
Commodities	32,935	40,000	(7,065)
Capital Outlay	370	54,069	(53,699)
Outgoing Transfer			
Equipment Reserve Fund	14,979	7,600	7,379
	<u>313,225</u>	<u>\$ 411,669</u>	<u>\$ (98,444)</u>
Cash Receipts Over (Under) Expenditures	46,546		
UNENCUMBERED CASH, January 1, 2010	<u>104,365</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 150,911</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

KDHE WATER SUPPLY PROJECT FUND

	<u>Actual</u>
CASH RECEIPTS	
Loan Proceeds	<u>\$ 126,945</u>
EXPENDITURES	<u>-</u>
Cash Receipts Over (Under) Expenditures	126,945
UNENCUMBERED CASH, January 1, 2010	(198,497)
Prior Year Cancelled Encumbrances	<u>71,552</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 4

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2010

AGENCY FUNDS

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Municipal Court Bonds	\$ -	\$ 2,217	\$ 2,217	\$ -
Employee Flex Benefits	<u>2,038</u>	<u>39,417</u>	<u>38,971</u>	<u>2,484</u>
Total	<u>\$ 2,038</u>	<u>\$ 41,634</u>	<u>\$ 41,188</u>	<u>\$ 2,484</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Phillipsburg, Kansas, the primary government, was incorporated in 1872, and operates as a second-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, water, sewer, sanitation, health and social services, culture and recreation services, planning and zoning, public improvements, and general administrative services.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Housing Authority and Library Board are component units of the City. Financial information for the component units have not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

The governing bodies of the following are appointed by the City:

- 1) **Housing Authority**. The City of Phillipsburg Housing Authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuance must be approved by the City.
- 2) **Library**. The City of Phillipsburg Library Board operates the City's Public Library. Acquisition or disposition of real property by the board must be approved by the City. The City levies taxes for the Library. Bond issuances must be approved by the City.
- 3) **Public Building Commission**. The City of Phillipsburg operates the Public Building Commission for the purpose of providing additional and alternative methods for financing certain public buildings. The City levies taxes for the taxes for the Public Building Commission. Bond issuances must be approved by the City.

The audited financial statements of the Housing Authority and the unaudited financial statements of the Library and Public Building Commission can be obtained from the City Clerk.

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary. Within each of these three categories there are one or more fund types. The City uses the following fund types:

Governmental Type Funds

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes only.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Permanent Funds - Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings and not principal may be used.

Proprietary Type Funds

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Type Funds

Agency Funds - Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

BASIS OF ACCOUNTING

Statutory Basis of Accounting - The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America- The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, revenue bonds, capital leases, and compensated absences are not presented in the financial statements.

LEAVE POLICIES

Vacation

All employees of the City, except temporary and part-time employees, accumulate vacation leave at a rate of ten days per year after their first year of employment. The rate of accumulation increases to fifteen days per year after seven years of employment, and twenty days per year after eighteen years of employment. An employee can only carry over to the next year, one-half of their annual amount of vacation leave. Employees are paid for all accumulated vacation leave, at their current wage rate, upon termination of employment.

The total cost of the accumulated vacation payable accrued as of December 31, 2010 is shown on Note 12, and will be recorded as an expenditure at the time the vacation is utilized as normal personal services expenditures.

Sick leave

All employees of the City, except temporary and part-time employees, accumulate sick leave at a rate of twelve days per year. They may accumulate unlimited sick leave days. Upon termination of employment, no sick leave is paid to the employee.

REIMBURSEMENTS

Reimbursements are defined as repayments of amounts remitted on behalf of another party. All reimbursements shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursement was directly tied to the amount of the original cash disbursement.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following:

Special Revenue Funds:

Equipment Reserve Fund

Partially Self-Funded Health Insurance

Hansen Foundation Grant Fund

Enterprise Funds:

Meter Deposits Fund

KDHE Water Supply Project Fund

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. PROPERTY TAXES

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due ½ on December 20th and ½ the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. COMPLIANCE WITH KANSAS STATUTES

- A. K.S.A. 10-816 requires checks outstanding for two years or more be cancelled and restored to the fund originally charged. The City had three outstanding checks that were outstanding longer than two years, violating K.S.A. 10-816.
- B. The City is not aware of any other non-compliance with Kansas statutes.

5. CASH BASIS EXCEPTION

- A. Authority is authorized under K.S.A. 74-8905 and the Loan Act to issue revenue bonds for the purpose of providing funds to implement the State's requirements under the Federal Act and to loan the same, together with available funds from the EPA capitalization grants, to Municipalities within the State for the payment of project costs. The City had a negative unencumbered cash balance in the KDHE Water Supply Fund at January 1, 2010, because the City must expend monies before they can receive the loan proceeds. K.S.A. 10-1116 provides an exception from a cash-basis law violation for the issuance of bonds. The City expended monies with the expectation of monies being reimbursed under conditions of the KDHE loan agreement.

6. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2010, the City of Phillipsburg had no investments other than certificates of deposit, which are considered deposits under GASB Statement No. 3. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county, if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during the designated "peak periods" when required coverage is 50%. The City's deposits were adequately secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$2,963,154 and the bank balance was \$2,976,160. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$461,055 was covered by federal depository insurance, \$2,515,105 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

7. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 1,500
General Operating Fund	Special Highway Fund	K.S.A. 12-1,119	140,000
Employee Benefit Fund	Partially Self-Funded Health Insurance Fund	K.S.A. 12-2615	228,387
Special Highway Fund	Equipment Reserve Fund	K.S.A. 68-141g	26,000
Water & Sewer Utility Fund	Equipment Reserve Fund	K.S.A. 12-825d	27,700
Solid Waste Fund	Equipment Reserve Fund	K.S.A. 12-825d	14,979

8. DEFINED BENEFIT PENSION PLAN

Plan description

The City of Phillipsburg contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2010, which includes pension contributions and group death disability insurance, was 7.14%. The City of Phillipsburg's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$46,728, \$40,141, and \$32,523, respectively, equal to the required contributions for each year as set forth by the legislature.

9. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage.

The American Recovery and Reinvestment Act of 2010 (ARRA), as amended, provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. The premium assistance is also available for continuation coverage under certain State laws. "Assistance Eligible Individuals" pay only 35% of their COBRA premiums; the remaining 65% is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage that began on or after February 17, 2010 and lasts for up to fifteen months. As of December 31, 2010, there were two individual participants in the COBRA Plan under the City's partially self-funded insurance plan, the maximum potential cost to the City would be approximately \$24,500.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the City purchases commercial insurance.

During the year ended December 31, 2010, the City did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

The City of Phillipsburg, Kansas pays an annual premium to Corporate Plan Management for its health insurance coverage. The agreement to participate provides that the Corporate Plan Management will be partially self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$20,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Corporate Plan Management.

11. SUBSEQUENT EVENTS

- A. On June 23, 2011, the City passed a resolution authorizing the offering for sale of \$245,000 of City of Phillipsburg, Kansas General Obligation Bonds, Series 2011. The bond proceeds will be used to retire the City's temporary note and to finance a portion of the costs of a KLINK project.
- B. The City of Phillipsburg Public Building Commission passed a resolution on June 23, 2011 authorizing the offering for sale of \$3,070,000 of Revenue Bonds, Series 2011, of the City of Phillipsburg, Kansas Public Building Commission. The bond proceeds will be used by the Public Building Commission to construct, furnish, and equip a swimming pool recreational facility in the City. The Public Building Commission also passed a resolution to enter into a lease agreement with the City of Phillipsburg for the facility. Beginning October 2011, the City will impose a one percent City-wide general purpose retailers' sales tax. The sales tax collected will be used to make lease payments to the Public Building Commission for the facility.

12. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 1/1/2010	Additions	Reductions/ Payments	Net Change	Ending Balance 12/31/2010	Interest/ Service Fees Paid
Temporary Note										
Series 2010 General Obligation	1.75%	02/24/10	\$ 77,000	2012	\$ -	\$ 77,000	\$ -	\$ -	\$ 77,000	\$ -
Total Temporary Notes			<u>77,000</u>		<u>-</u>	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>77,000</u>	<u>-</u>
KDHE Loans										
KS Water Pollution Control Loan	3.08%	04/17/01	2,855,519	2022	1,963,064	-	124,885	-	1,838,179	59,508
KS Water Supply Loan	3.66%	01/17/05	920,980	2026	577,296	126,945	58,442	-	645,799	20,675
Total KDHE Loans			<u>3,776,499</u>		<u>2,540,360</u>	<u>126,945</u>	<u>183,327</u>	<u>-</u>	<u>2,483,978</u>	<u>80,183</u>
Total Contractual Indebtedness			<u>3,853,499</u>		<u>2,540,360</u>	<u>203,945</u>	<u>183,327</u>	<u>-</u>	<u>2,560,978</u>	<u>80,183</u>
Compensated Absences										
Accumulated Vacation	N/A	N/A	N/A	N/A	29,641	-	-	(1,641)	28,000	-
Total Long-Term Debt			<u>\$ 3,853,499</u>		<u>\$ 2,570,001</u>	<u>\$ 203,945</u>	<u>\$ 183,327</u>	<u>\$ (1,641)</u>	<u>\$ 2,588,978</u>	<u>\$ 80,183</u>

N/A = Not Applicable

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Year	Temporary Note		KDHE Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ -	\$ 160,374	\$ 78,983	\$ 160,374	\$ 78,983
2012	77,000	2,695	165,539	73,818	242,539	76,513
2013	-	-	170,871	68,486	170,871	68,486
2014	-	-	176,374	62,982	176,374	62,982
2015	-	-	182,056	57,301	182,056	57,301
2016-2020	-	-	1,002,168	194,617	1,002,168	194,617
2021-2025	-	-	599,608	43,999	599,608	43,999
2026-2030	-	-	26,988	494	26,988	494
	<u>\$ 77,000</u>	<u>\$ 2,695</u>	<u>\$ 2,483,978</u>	<u>\$ 580,680</u>	<u>\$ 2,560,978</u>	<u>\$ 583,375</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 1

WATER AND SEWER UTILITY ALLOCATION
For the Year Ended December 31, 2010

SUMMARY FROM STATEMENT 3
WATER & SEWER UTILITY FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH RECEIPTS	\$ 937,976	\$ 209,876	\$ 1,147,852
EXPENDITURES	938,815	208,612	1,147,427
Cash Receipts Over (Under) Expenditures	(839)	1,264	425
UNENCUMBERED CASH, January 1, 2010	368,063	724,863	1,092,926
Prior Year Cancelled Encumbrances	<u>400</u>	<u>-</u>	<u>400</u>
UNENCUMBERED CASH, December 31, 2010	<u>\$ 367,624</u>	<u>\$ 726,127</u>	<u>\$ 1,093,751</u>

UNAUDITED ADDITIONAL INFORMATION

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Exhibit 1

UNAUDITED ADDITIONAL INFORMATION
December 31, 2010

Phillipsburg is a municipal corporation incorporated in 1872 and a city of the second class organized and existing under and pursuant to the Constitution and Laws of the State of Kansas. The City has a Mayor/Council form of government consisting of a Mayor and a six-member City Council who are elected by ward to four-year terms of office. The Mayor and Council set policy covering municipal governmental and administrative services and operations.

THE CITY

The City of Phillipsburg, Kansas (the "City") is situated in the northwest region of the State of Kansas. The City is approximately 240 miles northwest of Wichita and 150 miles northwest of Salina. Phillipsburg is the County seat of Phillips County.

EDUCATIONAL FACILITIES

Phillipsburg is the site of the offices of Unified School District No. 325 which provides a comprehensive curriculum for approximately 628 students in kindergarten through grade twelve.

Post secondary education is provided to the area by Fort Hays State University, as well as the North Central Area Vocational and Technical School in Beloit. Colby Community College also provides post secondary education through outreach programs.

ECONOMIC AND DEMOGRAPHIC INFORMATION

LOCATION (City of Phillipsburg)

Distance in miles from:	Chicago:	754	Denver:	338
	Los Angeles:	1,356	New York:	1,527
	Kansas City:	325	Dallas:	610
	Minneapolis:	647	St. Louis:	581

POPULATION	2010	2000	1990	1980	1970	1960
City of Phillipsburg:	2,581	2,668	2,828	3,229	3,241	3,233
Phillips County:	5,642	6,001	6,590	7,406	7,888	8,709

PUBLIC SAFETY

The City of Phillipsburg contracts with Phillips County for law enforcement.

The City of Phillipsburg provides fire protection through a volunteer fire department.

UNAUDITED

UTILITIES

Electric service is provided to the area by Prairie Land Electric, with the electric utility an interconnected utility.

Natural gas is provided to the area by Midwest Energy, Inc.

The City of Phillipsburg owns and operates municipal water and waste water utilities. The City also owns and operates the refuse collection service.

EMPLOYMENT HISTORY - Phillips County

	<u>Average</u>	
<u>Year</u>	<u>Unemployment Rate</u>	
2010	5.1%	
2009	6.2%	
2008	4.0%	
2007	3.0%	
2006	3.3%	
2005	3.7%	
2004	3.9%	
2003	2.3%	
2002	2.0%	
2001	2.0%	

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Civilian work force	3,103	3,166	3,145	3,182	3,111	3,155	3,214	3,229
Total employed	2,946	2,969	3,018	3,088	3,008	3,039	3,090	3,154
Unemployed	157	197	127	94	103	116	124	75

Kansas Department of Commerce, Labor Market Info. Service (785-296-2918)

www.dol.ks.gov

MAJOR EMPLOYERS - Phillipsburg Area

Some of the larger employers in the area include:

<u>Firm</u>	<u>Employment</u>	<u>Products/Service</u>
Tamko Asphalt Products	117	Roofing Products
Phillips County Hospital	117	Health Care
Unified School District #325	98	Education
Phillips Co. Retirement Center	85	Long Term Care Facility
First National Bank	46	Banking
Kyle Railroad	29	Transportation
Prairie Horizon Agri-Energy LLC	33	Ethanol & Distillers Grain
Groendyke Transport Inc.	20	Transportation

UNAUDITED

CLIMATE**Average daily temperature:**

January:	27 degrees
April:	54 degrees
July:	80 degrees
October:	57 degrees

Average annual precipitation: 25 inches

Average annual snowfall: 23 inches

BANK DEPOSITS - Phillipsburg - December 31

Year	Amount	Year	Amount
2001	199,829,549	2006	208,589,637
2002	190,744,425	2007	224,886,062
2003	195,923,461	2008	233,130,344
2004	200,540,121	2009	229,561,739
2005	196,496,523	2010	245,076,602

Source: Local banks - First National Bank, Farmers National Bank, & Farmers State Bank

GROSS RETAIL SALES - Phillips County

Year	Amount	Year	Amount
2001	94,637,335	2006	173,762,580
2002	105,351,595	2007	155,847,499
2003	126,056,000	2008	131,936,647
2004	133,500,000	2009	125,906,065
2005	141,624,077	2010	122,903,973

PHILLIPSBURG CITY SALES TAX COLLECTED BY STATE OF KANSAS

Year	Amount	Year	Amount
2001	232,344	2006	392,703
2002	353,484	2007	398,182
2003	340,194	2008	395,726
2004	357,141	2009	391,732
2005	359,404	2010	386,466

TAXABLE RETAIL SALES - Phillipsburg City

Year	Amount	Year	Amount
2001	35,128,900	2006	39,270,300
2002	29,092,059	2007	36,748,660
2003	31,234,100	2008	37,891,849
2004	32,309,604	2009	34,479,349
2005	32,614,792	2010	36,656,731

TAXABLE RETAIL SALES - Phillips County

Year	Amount	Year	Amount
2001	38,240,061	2006	50,145,600
2002	39,300,608	2007	51,399,849
2003	41,691,400	2008	53,419,415
2004	43,295,113	2009	49,485,668
2005	43,667,470	2010	52,079,343

Source: Kansas Department of Revenue, Steve Brunken (785-291-3580)

UNAUDITED

TRANSPORTATION

The Kyle Railroad Co. serves the area with headquarters in Phillipsburg. Highways serving the area include Interstate 70 and Interstate 80, located 62 miles to the south and 65 miles to the north respectively, and Kansas Highway 36 and Kansas Highway 183.

Air transportation is provided to the area through the Phillipsburg Municipal Airport which has a 4,500 foot asphalt runway. The airport is lighted and has private aircraft storage available.

Parcel service is provided by Federal Express, Pony Express, United Parcel Service, and the United States Post Office.

COMMUNITY SERVICES

The City of Phillipsburg is serviced by three banks and one credit union. Medical facilities are readily available through the twenty-nine bed nonprofit Phillips County Hospital. There is one medical doctor, one certified physician assistant, three dentists and one optometrist providing medical services to the City as well as visiting specialists.

There are fourteen religious institutions located in Phillipsburg.

Located in or near the City are public parks, a golf course, tennis courts and swimming pools. Kirwin Reservoir is only fifteen miles from the City and provides swimming and water skiing, camping, boating and fishing.

Phillipsburg has two motels with a total of seventy-four rooms.

Phillipsburg has two weekly newspapers, the Phillips County Review and the Advocate of Phillips County. Area residents receive a high quality cable system and high speed internet access. KKAN-KQMA serves the area with AM/FM radio.

TAX STRUCTURE

The total sales tax rate (city, county, state) was 5.4% until June 30, 2001. Beginning July 1, 2001, the rate was 5.9%, on July 1, 2003 the rate became 6.3%, and on January 1, 2006 the rate became 6.8%.

The property tax rate for various governmental entities is as follows:

	2010	2009	2008	2007	2006	2005	2004	2003	2002
City:	49.857	49.618	49.176	50.645	51.951	52.057	50.986	50.526	47.074
County:	100.712	89.437	81.842	78.597	76.384	79.950	76.973	77.644	75.960
School:	48.194	48.518	49.334	50.464	50.433	44.453	51.672	51.870	52.365
Other:	1.500	3.155	2.852	2.898	3.236	3.229	1.500	1.500	1.500
Total:	<u>200.263</u>	<u>190.728</u>	<u>183.204</u>	<u>182.604</u>	<u>182.004</u>	<u>179.689</u>	<u>181.131</u>	<u>181.540</u>	<u>176.899</u>

UNAUDITED

PROPERTY TAX MILL LEVY RATES - Phillipsburg City

Year	General Fund	Other Funds	Total
1993	15.186	34.560	49.746
1994	15.584	34.498	50.082
1995	15.278	34.568	49.846
1996	15.581	32.988	48.569
1997	15.040	34.859	49.899
1998	14.712	34.083	48.795
1999	15.626	32.767	48.393
2000	13.616	34.422	48.038
2001	12.885	35.268	48.153
2002	12.905	35.117	48.022
2003	12.753	34.321	47.074
2004	25.452	25.074	50.526
2005	20.692	30.294	50.986
2006	21.224	30.833	52.057
2007	19.950	32.001	51.951
2008	17.578	33.067	50.645
2009	17.197	31.979	49.176
2010	32.022	17.596	49.618
2011	33.544	16.313	49.857

ASSESSED VALUATION HISTORY

Year	City	County	USD #325
1993	7,626,737	39,321,038	20,936,568
1994	7,527,934	38,906,110	20,700,875
1995	7,627,098	36,594,235	20,644,399
1996	7,884,228	37,591,865	21,347,966
1997	8,206,990	38,535,864	21,774,465
1998	9,092,173	40,285,287	23,070,981
1999	8,977,166	38,440,628	22,180,119
2000	8,874,208	37,655,135	21,813,414
2001	9,164,869	41,486,441	23,484,335
2002	9,074,248	43,455,337	23,936,205
2003	9,132,611	43,461,124	24,261,377
2004	8,782,823	43,881,125	23,670,829
2005	8,930,248	45,081,652	24,397,179
2006	9,089,689	47,865,995	25,443,420
2007	9,533,217	50,888,752	26,847,220
2008	9,905,658	49,807,534	26,905,393
2009	10,125,853	50,216,069	27,412,270
2010	9,912,547	46,227,125	26,302,984
2011	9,936,890	49,386,984	27,142,635

UNAUDITED